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To cite this article: Pamela Johnson Sybert (1980) Mutual admiration: MBS and the Dominican republic, *Journal of Broadcasting*, 24:2, 189-197, DOI: [10.1080/08838158009363978](https://doi.org/10.1080/08838158009363978)

To link to this article: <http://dx.doi.org/10.1080/08838158009363978>



Published online: 18 May 2009.



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Mutual Admiration: MBS and the Dominican Republic

PAMELA JOHNSON SYBERT

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Introduction

The year 1959 brought to light various scandals within the broadcasting industry. This was the year the big money quiz shows were exposed as being rigged, resulting in confessions before Congress by contestants and network officials. The famous *ex parte* scandal involving Miami's Channel 10 and FCC Commissioner Richard Mack broke in 1958; investigations continued into 1959. Commissioner Mack resigned as a result of charges of bribery, and other commissioners were accused of *ex parte* activities. The commonplace practice of disc jockeys accepting "payola" bribes also came to light during this year. But perhaps one of the most shocking, yet least reported, scandals was the agreement that the Mutual Broadcasting System made with the government of the Dominican Republic. Here, a national radio network agreed to broadcast for 18 months up to 425 minutes per month of favorable news about the island nation in exchange for \$750,000.¹

The details and account of the Mutual case are important because they provide clues for understanding how such an event could have happened or, perhaps more importantly, why it happened. The purpose herein is to examine the facts of the case in the light of the broadcasting industry at the time and to determine some of the causes.

Background

The Mutual Broadcasting System was organized like no other major network in the United States. In 1934, stations WGN, Chicago, WOR, Newark, New Jersey, WXYZ, Detroit, and WLW, Cincinnati, formed an agreement to exchange programs through a network system employing telephone lines, and to share the expenses of operation. This agreement became the Mutual Broadcasting System, which was neither to own stations nor to produce programs. Mutual began slowly adding stations, and by 1940 it consisted of 160 outlets.² By 1950, Mutual had become a wholly owned subsidiary of General Tire Company. In 1957, Mutual changed hands a second time. It was purchased by two California oil magnates—Armand Hammer and Roy Roberts—and a Los Angeles construction executive, H. M. Halper, for \$550,000.³

Financially, Mutual began to suffer.⁴ Major changes were taking place in radio in the 1950s. As audiences turned to television, radio network affiliation lost its value, and stations dropped affiliation and began programming recorded music and news. By the late 1950s, all national radio networks were losing money, but NBC, ABC, and CBS had their television profits to back them up.⁵ Mutual never went into television and so had no television network to support it.

In September of 1958, as the result of a string of complicated corporate purchases, Mutual became the property of Hal Roach Studios.⁶ Hal Roach, Jr., became the chairman of Mutual's board, and Alexander L. Guterma became president. Garland L. Culpepper was elected a Mutual vice president.⁷ Guterma also chaired the board of the Jacobs Company, majority stockholder of the Scranton Corporation, which had purchased Hal Roach Studios in May, 1958. Garland Culpepper was also vice president of the Scranton Corporation and a business associate of Guterma.⁸

The Dominican Connection

Saul Nevins, one of Guterma's lawyers during the latter's reign at Mutual, was instrumental in establishing initial rapport between the Dominican Republic and Guterma. Guterma ordered Mutual to give Nevins press credentials and alerted employees that Nevins might telephone in news broadcasts. Nevins went to the Dominican Republic to do an interview with Cuban exile

Juan Batista. On January 1, 1959, he did, in fact, telephone in a broadcast concerning Dominican sentiment regarding Batista, but not from the intended interview. Instead, he got his information from international playboy and then Dominican Ambassador to Cuba, Porfirio Rubirosa.⁹ Rubirosa, once the husband of Woolworth heiress Barbara Hutton, and the frequent escort of many glamorous ladies, was concerned about U. S. sentiment toward Generalissimo Rafael Trujillo and the Dominican government. He allegedly suggested to Nevins that the nation had not been getting good U. S. news coverage.¹⁰ This appears to be one of the first times the idea arose that the network could be used for propaganda purposes.¹¹

Nevins' Batista profile was one of several Dominican telephone beeper reports used by Mutual during January and February of 1959. The various broadcasts were telephoned in from the Dominican Republic by either Nevins or Guterma himself. On February 1, 1959, while Guterma and Roach were meeting with Trujillo's aide Otto Vega, a demonstration was made to prove to Vega that Mutual could, in fact, be used to broadcast propaganda for his country. The story was fabricated that Roach and Rubirosa were in the Dominican Republic planning to make a film. Guterma had Nevins call Mutual and related the phony news story. The next day the story was broadcast by Walter Winchell on the Mutual network.¹² On another occasion, Guterma called from the Dominican Republic to say he had some comments about the country made by a visiting U. S. member of Congress. Mutual took the telephone feed and put it on the network.¹³ These were all broadcasts made prior to the signing of the contract.

The Contract

Saul Nevins later turned government witness and testified that Guterma and Roach had met with Trujillo's representatives on February 1, 1959, and had offered them the Mutual network to broadcast propaganda for their country in exchange for \$750,000. Nevins testified that Guterma had shown him the contract he was negotiating with the Dominicans. Nevins advised Guterma that it could be in violation of the Foreign Agents Registration Act unless the network registered with the Justice Department. At this time, Nevins drew up the paperwork to form the Radio News Service Corporation to pose as a bona fide news agency, thereby hop-

ing to bypass the Act through one of its exemptions.¹⁴

On February 5, 1959, the contract was signed, and on February 6, Vega presented Guterma and Roach with \$750,000 in cash. The contract acknowledged that the Radio News Service Corporation, a wholly owned subsidiary of Mutual, would be obligated to transmit news releases to Mutual, who in turn would be obligated to broadcast them over the network. The contract stated that Mutual would broadcast up to 425 minutes of favorable Dominican Republic news monthly, and that it would not broadcast any unfavorable news about the country. The only exception would be that Mutual could reject any releases from the country that might advance the communist cause. It further stated the Dominican Republic could sell Radio News Service Corporation materials to designated countries and keep the profits. In exchange for the services, the Dominican Republic would pay the Radio News Service Corporation \$750,000. This payment was to be for one year's service and partial advance on the second year's service, after which the Corporation would be paid \$41,666.66 each month.¹⁵

Guterma and Culpepper resigned from Mutual on February 12, 1959. The Securities and Exchange Commission had investigated charges of stock fraud schemes and other illegalities involving other companies Guterma had once controlled. Guterma was indicted and resigned from Mutual. Roach immediately bought out all of Guterma's stock. But within a month and a half, Roach also was gone.¹⁶ Meanwhile Mutual's financial condition was worsening. It was losing affiliates. In 1953 Mutual had 563 affiliates, but now it was down to 453, and running a monthly deficit of \$50,000-\$60,000. Under Guterma's short six month reign, from September of 1958 to February of 1959, Mutual was reported to have lost \$600,000.¹⁷ Mutual's vice president, Robert Hurleigh, persuaded some businessmen to invest money into Mutual and one of them, Malcolm Smith, assumed ownership. Still, finances slipped. On July 1, 1959, Mutual voluntarily filed bankruptcy proceedings.¹⁸ Its petition showed assets of \$579,607 and liabilities of \$3,195,207. Hurleigh acquired all of Mutual's stock and took over as president.¹⁹

It was Robert Hurleigh who first learned of Guterma's deal with the Dominican Republic. In May, 1959, while he was vice president of Mutual, he accepted an invitation from the Dominican Republic to go to Ciudad Trujillo on a press junket. When he

arrived he was confronted by Vega, Trujillo's aide, and asked why Mutual had not been fulfilling the contract. Shocked and angry upon learning about the contract, Hurleigh immediately returned to the United States and reported the information to the Justice Department.²⁰

The idea that Trujillo may have bought off Mutual's owners, or that any government could bribe a U. S. network's corporate officers to broadcast propaganda is indeed frightening. The indictments in the bribery case were handed down on September 1, 1959, just one day before Mutual was to settle its bankruptcy proceedings in court.²¹ Hurleigh immediately went on closed circuit to all Mutual's affiliates reassuring them of the network's innocence. He said the only reason Mutual itself was named in the indictments was because its former owners had offered the use of its facilities, but that no one in Mutual's current structure had anything to do with the scandal. Further, he emphasized the fine reputations and irreproachable integrity of Mutual's newsmen.²²

The contract was turned over to the Justice Department by Trujillo's lawyer when he was unable to regain any of the money from Guterma.²³ Its contents and the courtroom testimony that followed revealed the foregoing story of international intrigue, a story that is not only fascinating but also startlingly indicative of the moral state of a part of the broadcasting industry at that time.

Mutual had received an abundance of news releases from the Dominican Republic in February and March of 1959, all pro-Trujillo with key sentences red-arrowed.²⁴ How many of these releases were actually broadcast was never made clear. There is some indication that none of the broadcasts were made.²⁵ One Mutual official said he couldn't imagine telling Fulton Lewis, Jr., that he *had* to read a story about Rubirosa and his latest romantic escapade.²⁶

Indictments

On September 1, 1959, Alexander L. Guterma, the one-time president of Mutual, Hal Roach, Jr., Mutual's former board chairman, and Garland L. Culpepper, former vice president and secretary of Mutual, were all indicted for failing to register themselves and Mutual as foreign agents. The indictments charged that while

they were officials of Mutual they had accepted \$750,000 from the Dominican Republic to broadcast favorable news about that nation on the Mutual network. The indictment consisted of three counts. The first count accused Guterma and Roach of failing to register as foreign agents of the Dominican Republic. The second count accused all three men of failing to register the Mutual Broadcasting System as an agent of a foreign country, and the third charged all three with conspiring not to register as foreign agents with the Justice Department.²⁷

All defendants pleaded not guilty on September 4, 1959.²⁸ On May 16, 1960, the court granted dismissal of the case against Garland Culpepper.²⁹ On May 18, 1960, Guterma and Roach withdrew their pleas of not guilty and entered pleas of *nolo contendere*.³⁰ Hal Roach, Jr. was eventually found guilty and fined \$500. The judge ruled that Roach had been more of a victim than a victimizer and that it could not be shown that Roach had ever received a penny of the Trujillo money.³¹ Roach contended that he had slept most of the time they were in the Dominican Republic and was unaware of any deals.³² On November 2, 1960, Alexander L. Guterma, already assessed a five-year sentence for stock fraud schemes, was sentenced to imprisonment for an additional eight months to two years and fined \$10,000.³³

In a separate legal action, the Dominican Republic filed a civil suit to recover its money and named Mutual as co-defendant. The suit was based on nonperformance of the contract. The court threw out the Dominican claim against Mutual on November 6, 1959, stating it was convinced that Mutual was used as a pawn, and that the Dominican Republic had failed to prove that Mutual ever received any of the money.³⁴

Conclusions

For the broadcasting industry, this scandal has raised questions that are still unanswered. Whether Guterma ever intended to live up to the contract is not clear. It may have been another one of his financial deals to secure funds and bring Mutual out of its depressing financial crisis. Guterma's involvement in numerous swindles and stock fraud schemes would seem to suggest that he never intended to fulfill the contract, but only wanted the money. The recovery suit filed by the Dominican Republic charging that

the broadcasts were not made also substantiates this point of view.³⁵ On the other hand, Guterma may really have envisioned Mutual as a propaganda outlet. The demonstration broadcasts in early 1959 proved that the scheme was possible. Guterma never had the chance to answer these questions because of his forced departure from Mutual. The court was never able to clearly establish the answer because of his plea of *nolo contendere*.³⁶ Regardless of Guterma's view of the agreement or why he initiated it in the first place, the fact remains that he pledged a national network as a vehicle for foreign political propaganda.

Securing funds for a financially sinking network lies at the base of this case. Mutual was purchased for around \$2,000,000, including cash, stock, and long-term notes, in September, 1958; by July of 1959 the network was in the hole by \$2,615,600.³⁷ By comparison, in January of 1960, ABC showed total current assets of \$82,618,564 and total current liabilities of \$30,584,687, netting current assets of \$52,033,877. At the same time, CBS showed total current assets of \$167,209,404 and total current liabilities of \$70,237,458, netting current assets of \$96,971,946.³⁸ From an advertising dollar standpoint, Mutual also represented a poor showing. In 1958 advertising in radio totalled \$616,000,000. The networks received only \$61,000,000 of that figure with Mutual's share representing less than \$5,000,000.³⁹ Clearly, financial solvency can make a great difference in network operations. A financially secure major network would be far less tempted to offer its facilities for broadcasting blatant propaganda for money than would a network under fiscal stress. Examining this case in the light of Mutual's background, it would appear that the need for money played a large part in the scandal. Mutual had never been able to be truly competitive with the other major networks because of the nature of its organization and its failure to enter television. Its financial condition was worsened by these factors and it is also true that these factors contributed to or caused the financial stress in the first place. If a station or network cannot meet its financial obligations, it is reasonable to assume that it is more susceptible to governments or individuals looking for an outlet for propaganda. The combination of financial insecurity and unscrupulous leadership set the stage for this particular scandal. Understanding these factors may make it less likely to happen again in the broadcasting industry.

¹ Erik Barnouw, *The Image Empire*, (London: Oxford Univ. Press, 1970), pp. 122-128.

² Lawrence Lichy and Malachi Topping, *American Broadcasting. A Source Book on the History of Radio and Television*, (New York: Hastings House, 1975), pp. 185-188.

³ "Changing Hands," *Broadcasting*, (September 15, 1958), p. 28.

⁴ "New Giant Growing in Radio-TV?," *Broadcasting*, (September 15, 1958), p. 28.

⁵ "Radio Network Pulls Out of Jam," *Business Week*, (November 14, 1959), p. 59.

⁶ "Mutual Network Brings 2 Million," *New York Times*, September 12, 1959, p. 50.

⁷ "New Giant Growing in Radio-TV?," pp. 27-28.

⁸ *Ibid.*

⁹ "Grand Jury Indicts Guterma Trio," *Broadcasting*, (September 7, 1959), pp. 70-71.

¹⁰ Barnouw, p. 127.

¹¹ On the other hand, the idea could have been conceived earlier and could have been the reason Guterma had the press credentials issued to Nevins in the first place.

¹² "Grand Jury Indicts Guterma Trio," p. 70; Douglass Cater and Walter Pincus, "The Foreign Legion of U. S. Public Relations," *The Reporter*, (December 22, 1960), p. 15.

¹³ The Representative, Gardner R. Withrow of Wisconsin, who was vacationing at the time, later said he had no idea what was going on. He said he was approached by a Mutual official who asked him to comment on the conditions he saw in the country. ("Grand Jury Indicts Guterma Trio," p. 70; 75).

¹⁴ "Guterma and Roach Linked to Trujillo," *New York Times*, May 18, 1960, p. 13; The Foreign Agents Registration Act of 1938, as amended in 1942, states that all persons engaging in activities on behalf of a foreign country must register with the Justice Department as an agent. In addition to registering, agents must outline all activities, disclose financial dealings, and label the source of all political information. According to the Act, however, a news or press service of the United States is not an agent of a foreign principal. This exemption, of course, refers to bona fide news agencies concerned with reporting news of an international nature, an activity quite different from signing a monetary agreement to broadcast only favorable news about a country. (*Foreign Agents Registration Act of 1938 As Amended, U. S. Code*, Vol. 22, Secs. 611-621, 1964).

¹⁵ "Guterma Bares Mutual Pact," *Broadcasting*, (October 5, 1959), p. 29.

¹⁶ "Guterma and 2 Aides Indicted as Trujillo Agents in Radio Deal," *New York Times*, September 2, 1959, p. 1.

¹⁷ "For Mutual Aid," *Newsweek*, (July 13, 1959), p. 69.

¹⁸ "Radio Network Pulls Out of Jam," p. 63.

¹⁹ "Guterma and 2 Aides Indicted as Trujillo Agents in Radio Deal," p. 1.

²⁰ "The Price of Publicity," *Time*, (September 14, 1959), p. 94.

²¹ "Grand Jury Indicts Guterma Trio," p. 68.

²² "Guterma Couldn't Have Delivered Mutual: Hurleigh," *Advertising Age*, (September 14, 1959), p. 112.

²³ "The Price of Publicity," p. 94.

²⁴ "\$750,000 for Plugs?," *Newsweek*, (September 14, 1959), p. 94.

²⁶ "Dominican Republic Loses in Roach Suit," *New York Times*, November 8, 1960, p. 33; "\$750,000 for Plugs?", p. 94; "Grand Jury Indicts Guterma Trio," p. 75.

²⁶ "\$750,000 for Plugs?", p. 94.

²⁷ "Guterma and 2 Aides Indicted as Trujillo Agents in Radio Deal," p. 1.

²⁸ "Guterma Denies Guilt," *New York Times*, September 5, 1959, p. 34.

²⁹ *United States v. Guterma, et al.*, United States District Court for the District of Columbia, Cr. No. 792-59, p. 4.

³⁰ "Guterma and Roach Plead No Contest," *New York Times*, May 18, 1960, p. 32.

³¹ "Hal Roach, Jr. Fined," *New York Times*, June 25, 1960, p. 13.

³² "Grand Jury Indicts Guterma Trio," p. 76.

³³ *US v. Guterma*, p. 6.

³⁴ "\$750,000 Bilk Laid to Guterma Here," *New York Times*, November 7, 1959, p. 48.

³⁵ Cater and Pincus, p. 16.

³⁶ *Ibid.*

³⁷ "Mutual Network Brings 2 Million", p. 50; "Guterma and 2 Aides Indicted as Trujillo Agents in Radio Deal," p. 1.

³⁸ *Moody's Industrial Manual* (London: Moody's Investors Service, Ltd., 1960), pp. 2298; 832.

³⁹ "Radio Network Pulls Out of Jam," p. 59.